

**Media Round Table with USTR Robert B. Zoellick**  
**Sheraton Hotel, Pretoria, South Africa**  
**January 13, 2003**

**Moderator:** First of all I would like to thank the Ambassador for taking time to do this. We really appreciate it. It is not often that our journalists get a chance to talk to a Cabinet-level person on a very small basis. We really appreciate that.

The briefing will be on the record and Ambassador Zoellick will open with a statement and then we will take questions. I would like you state your name and your media affiliation as we will be making a recording that we will circulate afterwards plus we will have a transcript soon for you. And also to just to make sure that you are clear on any follow up questions, the Ambassador would like to be able to take questions from you from all of you for about an hour so if you keep your questions short and succinct, he will be able to take something from everybody and maybe get back around for another one.

**Ambassador Zoellick:** Thanks for all taking the time. We just came in around noon and had a chance to have a nice run. I think it is warmer here than it is in Washington. I just thought I would start a few overview comments.

President Bush is very committed to deepening and strengthening America's partnership with sub-Saharan Africa. We are all well aware that there are very serious challenges in the region. But as someone who has known something about the history of this region, who has been here for a number of years at different times, I sense that there is a change of spirit and some new opportunities. So this is an environment in which one does not expect great things overnight but one also would, I think, be mistaken to overlook the possibilities here. And in this context, the free trade agreement that we expect to be launching with the five SACU [Southern African Customs Union] countries is both a concrete and a symbolic sign of this long-term interest. It really takes AGOA, which was just passed some two years ago, to the next step.

Now, to give you a little bit of the origin of this. The idea was actually first put in my mind by Alec Erwin about a year ago when we were together at the World Economic Forum in New York. He knew that we were exploring the possibilities of other free trade agreements and he said, "What do you think about doing something with us?"

But from the start he emphasized that it was important to do it with the five countries of SACU and not just with South Africa. And obviously this partly reflects the past experience when South Africa did an agreement with the EU. But also I think that he was properly recognizing that this agreement could help with the regional integration within the SACU countries.

The African Growth and Opportunity Act had a section that encouraged us to look at free trade agreements with sub-Saharan Africa and southern Africa would be the natural place to start because South Africa is a leader; it's stage of development. But I would also go

beyond South Africa because if you take a country like Lesotho-- in 2001 Lesotho was the third largest source of non-fuel AGOA goods to the United States--about \$215 million. And as I will talk about in Mauritius, the Lesotho government has been quite active in taking advantage of the AGOA provisions and creating about 15,000 jobs and a number of new apparel plants.

I was here, as some of you may know, about eleven months ago in February. In addition to coming to South Africa, I was in Kenya. I also saw President Mogae in Botswana and that economic team, which as all of you know is very well-regarded. And in my conversations with them, they were very interested in this idea because they have a very well-run economy but it is small and for them to be effective and get on people's charts for potential investment they need to be linked to a regional economy.

I think in our combined view, it fits with President Mbeki's idea of NEPAD and I think that it is a way of creating a concrete example of what those principles are about. On the U.S. side, we had to lay some of the groundwork and, as many of you know, we had not had our negotiating authority for trade agreements for some eight years and so we finally got that through the Congress and signed in August. And under those procedures we have to give a notice to our Congress of ninety days before entering into an agreement. So I sent a notice in November so that we could formally be able to begin at the beginning of February. But since I was coming to Mauritius for the AGOA Forum this became a good opportunity to get together with my ministerial colleagues. We have some new ones but I have had a chance to talk with them by phone already.

I think we have a good, and we are in the process of building a good economic relationship but I believe there is much more potential. We have about \$7.9 billion of trade with the SACU countries at present. U.S. investment totals about \$2.8 billion. The United States is the largest source of new investment and the Ambassador and his people were sharing with me that the U.S. business presence [in South Africa] has increased from about 250 firms in the mid-nineties to about 900 firms today. And again, I think it is very important for those of us in the United States to undertake these initiatives in an African context and President Mbeki has talked about moving beyond reconciliation to transformation. This is clearly part of an overall economic transformation process.

So you might ask, what would an FTA add to AGOA? Why not just stay with AGOA? I would mention five points:

First, our concept of a free trade agreement moves beyond trade to focus on development and growth and creating opportunity. Now there is no doubt that trade is increasingly important for these countries. If you look at South Africa, for example, about twenty-five percent of the GDP is now driven by trade. So, if you are looking to the longer term -- and that is clearly what a free trade agreement is about -- there are advantages for the SACU countries to be linked to the United States because it is the largest market in the world and now in exchange rates it is now about twenty-five to thirty percent of the world's GDP. It is certainly a source of much innovation. This FTA would lock that in.

AGOA has a limited life; it can be changed by Congress. An FTA is a more certain framework.

That leads to the second point. I think for people like Alec Erwin, the FTA is particularly important in helping draw investment -- and here I don't only mean U.S. investment. But as you have seen with AGOA, investors from around the world look at the trade arrangements with the United States as creating a market opportunity. And the reality is that developing countries all around the world are in a fierce competition for capital. There are many opportunities for investors. In between my times in the government service, I served in financial markets, both housing finance but other capital investment, and I assure you that countries all around the world are needing to demonstrate why people should bring their capital there. And the free trade agreement would help create a secure framework, not only in terms of access to the United States but also in terms of the rules-based system.

Third, an FTA with SACU would help support regional integration. I mentioned the comments that President Mogae had told me about. These are small economies; they are economies that are generally trying to do the right thing (I'm talking here about Lesotho, Namibia, Botswana, Swaziland) and you can already see in terms of areas like transportation lines and production sharing arrangements there is the possibility for further mutual economic gains.

Fourth, we believe that a free trade agreement can support Africa's reforms for long-term growth. The nature of U.S. free trade agreements is a little different than some others that you might have covered. We don't have very many. We have one with, obviously, Canada and Mexico. One with Israel and Jordan. We just completed ones with Chile and Singapore and we are starting others. Our agreements are very comprehensive. Because of that people in the investment market tend to look upon them as a premium product. We do believe in reducing all tariffs to zero. Now you may stage it over a longer time period, maybe ten years, maybe five years, sometimes in NAFTA it extends to fifteen years, but we want to create true free trade. We cover the services industry; we cover investment; we cover intellectual property. And if you look upon the long-term potential in this region, take the area of services. The Indian market is extremely active in services now-- it is tied in with much of the world in call centers. There is no reason why, frankly, southern Africa can't be a hub for much of the development in sub-Saharan Africa. Again, just to give you a point of comparison, about two-thirds of America's GDP is now driven by the service industry and about 80% of employment. So this covers a wide range of activities: financial, tourism, transportation, call centers. Or again, the area of software development: look at what is happening in India. India is a very competitive place in software. There is no reason that can't happen in this part of Africa as well, but to do so one has to have intellectual property rules and enforcement.

Fifth, we hope that the Free Trade Agreement will help us create a deeper economic partnership in many ways and address some of the fundamentals that any democratic government will have to deal with. And here, and by here I mean the SACU countries in general, we know that there are very serious problems of poverty and we have to try to

create hope. The United States has contributed about \$700 million in U.S. aid to South Africa since 1994.

Just to give you a little sense of the interconnection, at the end of the press conference today I am going to announce a OPIC (Overseas Private Investment Corporation) loan guarantee of \$15 million to help with some of the construction companies -- many of them small operations -- in South Africa to build additional low and moderate-income housing. Now this is a field, coincidentally, in which I have had some experience in because I ran all the affordable housing programs at Fannie Mae (FNMA), which is the largest housing investor in the United States. Part of my operations actually was to deal with - I had an office that helped do some services with developing countries, including South Africa, I might add in the mid-nineties. And we believe this \$15 million dollars being supplemented by another \$5 million dollars from an outside source, should help provide the seed insurance and credit guarantees to build about 90,000 homes and the estimate that could house about half a million people. And clearly if you are going to create property rights and a stake in society, housing is a key way to be part of it.

And that leads me to one other core principle that we discussed with our preliminary work with our SACU colleagues and that is we think it is very important to link aid to the trade capacity programs for the negotiation of the Free Trade Agreement. We know that there are disparities in terms of dealing with some of these complex issues so people need help in terms of being able to take part fully in the negotiations. Countries certainly need help in terms of implementing these rules and then linking it to your overall development strategy. Over the past four years the United States has contributed some \$345 million in sub-Saharan Africa to trade capacity building alone. That includes about \$105 million last year. For the SACU countries, they have had access to about \$34 million, including \$6 million solely for SACU. At the press conference today I am going to announce we are starting this negotiation off with a contribution of \$2 million from AID which we will work with our SACU partners to decide how it can best be expended to help move the negotiations forward.

Finally, it is of course appropriate to ask, "Well, what's the U.S. interest?"

Well, certainly we have a trade and economic interest. SACU is the largest market in sub-Saharan Africa; we believe it will grow. We believe it is important to be a part of the opportunity. Obviously we would prefer to have a level playing field. We do not have the advantages that Europe will have under its free trade agreement so we hope to gain those and better those. But frankly, the idea goes quite beyond the traditional trade and investment logic because we hope-and we know this will take some time and effort and listening and working closely together-that we might be able to create a model about trade and development linked to opportunity and hope and fit it in with reform strategies throughout sub-Saharan Africa. Because we do have a vision that is part of this strategy, and that is that democracy and prosperity go hand-in-hand and sub-Saharan Africa has to be part of it and this is a good place to demonstrate what can be done.

I will be happy to take your questions.

**Q: SAPA, Erika DeBeer:** Given that Swaziland is one of the countries that seems to be in danger of losing AGOA privileges, how do you feel about including Swaziland?

**Zoellick:** Well, the key for this -- as I've talked with my colleagues from the other SACU countries -- is that we respect SACU as a regional integration effort. If my recollection serves it is the oldest customs union in the world, dating back to 1910. And as I explained, there is a logic to that when you look at all of the four countries, other than South Africa. With the best run economic programs their future does depend on South Africa's growth and being integrated effectively. And I mentioned, for example, we have an aid program that was linked to some of the trunk rail network which links the ports with the rail network - and by the way, do we have the capacity building documents?. Ok. We did a little pamphlet that we will show you that will give you a sense of some of those aspects. Now there are certainly problems in Swaziland, but it is our hope that we can best address the questions of governance and development of the rule of law through openness and through a trade regime. So we hope to work with the Swazi government-- not only through AGOA but through this trade agreement -- and recognize that this is a country that has been deeply hurt by drought, by AIDS. It is going through very difficult circumstances. At least it's our view the best way is to try to help them through those circumstances is to do it with its southern African partners and try to see if we can improve living and economic as well as governance conditions.

**Q: Summit TV, Marian de Villiers:** You mention NEPAD earlier on. How do you see NAPAD dovetailing with an FTA with southern Africa?

**Zoellick:** Well, you would know better than I do, NEPAD is in part a vision of the future. About combining responsibility of sub-Saharan Africans for their own future and that means steps in terms of governance and openness but also linking it to economic growth and opportunity. I think at the G-8 Summit in Canada much of the focus was on the core principles of NEPAD and in my view this fits very well with the core principles of NEPAD. And in my view, this fits very well with the core principles. Now, there are other aspects of NEPAD as I have talked about with Minister Erwin, including trying to create some projects in sub-Saharan Africa that will show the regional integration and show the benefits and opportunities within Africa. And this again fits naturally, as I have said, in the case first of the five countries here because we hope that through the regional trade integration will show some of the benefits of working with one another. But I also hope it will then create somewhat of a model for others to see throughout sub-Saharan Africa. These also go to issues of governance and go to issues of transparency in creating the climate for investment.

Third, the last part would be, I think this will strengthen the SACU economies as economies and already you can see that South Africa, in particular, plays a role in some of the infrastructure development elsewhere in Africa and so this will make them stronger competitors and therefore stronger contributors.

**Q: Business Day, John Fraser:** You will be well aware that on the 20th of December the World Trade Organization negotiations on TRIPS failed. The United States put out a unilateral statement. More recently the European Union has put its suggestion. What's your reaction to (unclear)?

**Zoellick:** Well, let me go back a step because the inability to reach a conclusion in December was as deeply disappointing to us as it was to others. For those of you who may not have followed this in quite the same detail, people will recall that at Doha in November 2001 we reached a very important agreement about access to medicines, drawing on the flexibility of the TRIPS (intellectual property regime). And in essence it allowed countries to compulsory license in certain circumstances. Now the left over question-this was the one question-what happens if countries are too poor or too small to be able to compulsory license in their own country so they need to go to third countries? And frankly I think there are some insights for Africa here. Because as we started this process we were keenly interested in trying to make sure that sub-Saharan African countries were able to get what they needed in terms of either the ability to produce the pharmaceuticals or to export to one another. And at the urging of the Kenyans and some others, we supported some regional compacts that would make it easier to do.

But what one learns in international negotiations is even though this was designed for countries - this last issue was designed for countries -- that didn't have the capacity to produce pharmaceuticals on their own, all of a sudden everyone else wants to get it too. Okay? So, Brazil and India and people who frankly may not have Africa's best interests at heart decide, well, we need to be able to get this.

And then the second issue... So what started out as supposed to be a small needy category becomes everybody but the OECD countries. And then secondly, the category of diseases starts to expand to include obesity, Viagra and pretty soon you start to run into the problem that [what] was supposed to be a narrow circumstance to deal with emergency needs becomes every possible pharmaceutical for almost every country and that then what have you done to intellectual property system?

So, we were as regretful as anyone that we couldn't that. Much of the pharmaceutical research in the world occurs in the United States and we have a particular sensitivity because if you undermine the intellectual property rights system you aren't going to have people developing these drugs. It is just the way, the reality. Now, I know from some conversations with some of the South Africans in particular, you are developing a pharmaceutical industry and there is some interest here to actually not blow a hole in the intellectual property system. So that brought us to the moratorium you mentioned.

The reason we did that was because frankly we had made a pledge at Doha to deal with this problem. And we felt that if we couldn't deal with it with all countries we would at least be willing to say that for not only HIV/AIDS, malaria, tuberculosis but we had a definition of infectious diseases of comparable scale, including those that may arise in the future -- so, in other words, it was an open-ended proposition -- that we wouldn't take a WTO action. Now that was not designed to be the end of the matter. It was designed to

give people the assurance that we said we would try to resolve this by the end of 2002, we couldn't do it as a group, so that was our pledge. Now the Swiss have followed us. The Europeans in their statement said that they would follow this. I believe the Canadians intend to follow it, so it is a good interim measure. We would still like to reach an ultimate agreement on this because I understand, particularly from the time I spent in this region, the anxiety that is caused by this issue. And that takes us to the European proposal.

I saw Commissioner Lamy's suggestion as a constructive one and it needs further discussion. It is a little general on how the WHO would play the role. But at this point, frankly, since I found that we were trying very hard to reach an agreement in late 2002 and many other countries frankly used this as an opportunity to promote other interests, I think we will see how other people respond to Commissioner Lamy's suggestion.

**Q: John Fraser, Business Day:** So in general, it is something you would work with?

**Zoellick:** Yes.

**Q: New York Times, Rachel Swarns:** On the Free Trade Agreement, some southern African countries expressed concern about huge differences in economies. How do you plan to address this concern within FTA?

**Zoellick:** Well, first off, under AGOA about ninety-two percent of the exports of sub-Saharan Africa area already coming into the United States duty-free so that is one of the reasons I gave the reasons is that from a pure export-driven, now there are other markets that people want to open up--that last eight percent that may be important for people so there is that benefit. But part of the benefit of a free trade agreement is creating what I will call this deeper structure related to services, investment and other provisions. We of course recognize that when you are dealing with countries at different stages of development, that that needs to be factored into the trade negotiation. The concept of special and differential treatment is one that is widely acknowledged and used within the WTO context and I think some of the same principles might be applied here. For example, the staging of tariff reductions, in other words the different time of reducing these things. Assistance, as I have emphasized. We don't just want an agreement on paper we want this to work for people and so we need to develop the capacity for people to be able to implement the agreement and to be able to link it to their overall reform strategies. So I think in many respects as we do free trade agreements with countries at various stages of development, of course you have to take this into account and I don't only mean - there will be differences between Lesotho and South Africa, obviously in terms of income and needs. So when you do a specialized agreement like this you can sometimes be a little creative and customize to meet special circumstances.

Let me give you another example. Some times in the agricultural area some countries are concerned, particularly small countries, about some extraordinary circumstances that may hit them. Well, we create various safeguard arrangements. We just did that in our agreement with Chile. Just last week we launched a free trade agreement with the five

Central American democracies and they vary considerably in range of development too. Nicaragua has a per capita income of about \$300 and so we are dealing with the same issues there. What we were able to do with Central American, and which I hope we can do a better job of here, is we were able to link from the start our trade negotiation not only with our aid agencies and our trade and development agency and OPIC (as I mentioned with the housing program) but also with some of the multi-lateral development banks. The Inter-American Development Bank was extremely helpful in terms of trying to help with the capacity building but also link it to development. We have talked with the American executive director of the World Bank and I would like to see if we could do some things with the World Bank programs here to link it.

So, this is a word I normally avoid but I guess it fits. I look at this as more of a holistic exercise, in other words, not just a zero sum trading arrangement. In other words, trade should be a win-win venture. Frankly, if American consumers can get lower-priced, high-quality goods from Africa that is a win. Now, we have political sensitivities just like Africans have political sensitivities. So I tend to approach these negotiations as trying to say, "how can we work around people's political sensitivities but in a way that moves in the right direction?"

Take the area of telecommunications. This is a sensitive topic in South Africa. But an efficient and effective telecommunications sector will be critical for South Africa's development and it's role as a regional hub. So, as you probably know, there are debates within the South African government about this. So we will work with people in South Africa, obviously as a consolidated government, to see how we can help move the reform process forward.

But keep in mind these are all sovereign countries; it has to be a decision of countries on their own. I know there is a lot of sensitivity given the size and power of the United States as we approach these negotiations and we need to take that into account. That is one reason why we have tried to start this the way we have with the SACU countries. I will say in this case we also have some good relationships. Minister Malie of Lesotho is a real leader in the WTO process. He is an excellent counterpart, Alec Erwin, the two ministers from Botswana and Namibia have just come in recently so I haven't had a chance to work with them other than on the phone and I haven't met the minister of Swaziland. So we do see this as something that at the end of the day our goal is to help create jobs and growth here as well as in the United States.

**Q: Reuters, Mariam Isa:** The talks should begin in February. Do you have ideas as to how much you might be able to move forward ... the goal of trade might increase the end result (unclear)? And is there any chance ...you can eliminate some barriers to agriculture...?

**Zoellick:** Let's take the last one first and make it easiest. When we do free trade agreements we eliminate all barriers so at the end of the day there may be, as you phase them out, there may be different scaling of the tariffs or use of tariff rate quotas, but



unlike the European Union, we don't intend to end up with tariff rate quotas. We intend to end up with totally free trade and that includes agriculture.

A sub-point on agriculture. What I have discovered from talking with a number of my African colleagues--and this will come up in Mauritius--is one of the bigger problems is not actually access to the market. It is sanitary and phyto-sanitary standards. One of the things the United States is doing is that our AID people who are creating three regional hubs for trade capacity building--one in Kenya, one in Ghana and one in Botswana. The one in Botswana will obviously help deal with this region as a whole. We are putting in each of these hubs an individual from the Department of Agriculture whose sole job is to deal with the sanitary and phyto-sanitary issues. So these are necessary. It is a question of making sure that products meet the health standards but we don't want to use that as a protectionist barrier.

Now the other parts are how long it would take? I can't say for sure. I think when we discuss this with the ministers there is a goal of trying to accomplish this by the end of 2004. From my perspective that would be particularly useful because that is during President Bush's first term, and our trade promotion authority runs into 2005 so if we did get it done in 2004 we could still try to bring it to the Congress in 2005. I will also say that we are having a Congressional delegation that is coming through here a little bit later in the week. I am very pleased about that because we have had very strong bi-partisan backing for this agreement in the Congress just as we had for AGOA. But under our Constitution, Congress ultimately has the authority over trade. I am just kind of the agent to the President and the Congress so it is good to have their interest. Please be nice to them when they come.

**Q: Reuters, Marian Isa:** How much do you think trade will be energized by this?

**Zoellick:** Oh, yes. We have to ask our international trade commission as part of our processes to do an analysis of some of those issues and I believe that is due in April. So I don't have a precise number and sense of that, but if you would look (you have to distinguish because you have geographic issues) at U.S. trade with Canada and Mexico under the Free Trade Agreement it has grown two or three times since NAFTA was passed. So you remove barriers and you can make a big difference. And this goes back to my opening remarks. There is tremendous opportunity in sub-Saharan Africa starting, I think, in the SACU region. Ultimately it has to be done by Africans themselves but we can certainly help create additional incentives and opportunities.

**Q: Bloomberg News, Dylan Griffiths:** In the past you linked trade to combating poverty and terrorism. Do you see the benefits of trade, an FTA, as addressing this?

**Zoellick:** In the broader sense what I see is this. I do not believe that poverty causes terrorism and if you look at the demographics of most of the terrorists it is hard to make a case because most of them come from upper or middle class families. And frankly it is an insult to hundreds of millions of poor people around the world who aren't driven to terrorism. Having said that, there is no doubt that societies that fragment, that lose a sense

of hope, become breeding grounds for terrorists and others whose purpose is to destroy, not to create. I have had a number of trips to Indonesia--another country I have known well over the years--it is a fragile democracy. It needs to create economic hope and opportunity. Well similarly so for sub-Saharan Africa. Sub-Saharan Africa needs to be able, particularly with a number of fragile democracies, to show its people that democracy and markets can improve their standard of life and therefore trade can be part of that. I would also say that it is what is seen in some countries in the region, it is simply hard for a government to be able to deal with terrorists if it doesn't have some of the basic resources and poor countries don't have the resources.

In a broader sense I do believe that trade and growth and opportunity and better financial markets all contribute to stronger societies and stronger societies become ones that can resist those that destroy.

**Q: Bloomberg News, Dylan Griffiths:** Is it relevant for these five countries?

**Zoellick:** Well, I think terrorism is something that is a risk for all of us. We have it in the United States, you have seen it in Kenya, you have seen it in other parts of southern and eastern Africa in different forms. So it is going to be a challenge of the 21st Century.

**Q: Dina Kraft, AP:** You said this has to work for Africans. You mentioned Lesotho, for example. Most of the apparel factories are owned by Asians. How can trade help people from Lesotho own those factories?

**Zoellick:** First off, it is the nature of trade -- it is fine with me -- that investors from around the world are drawn to Lesotho and give people jobs. I mean, in other words, some people say, "Gee, are you troubled those aren't American factories?" Not at all. I mean if people are drawn in with capital that helps to create jobs, that is good for Lesotho, it's good for everybody else. In the case of apparel, this is partly a legacy of about twenty or thirty years in that, no surprising in any line of business, there were certain businesses and networks where people developed the expertise and developed the marketing channels of many to developed countries and interestingly a lot of those came from Taiwan, Hong Kong, South Korea, because they were some of the first apparel producers. As they became less efficient as apparel producers, their businesses moved elsewhere and I tell you, the bigger challenge I'm worried about - I'll come back to your specific question - is that all the United States apparel quotas come off in 2004 and that means that for a lot of countries that have been criticizing us about our apparel quotas -- properly in my view -- they are going to face very fierce competition, primarily from China and to a certain degree from India. So one of the things we are going to discuss at the AGOA Forum is how to use these two years to help the African apparel industry, which had started to develop, to make sure that it can compete with the Chinese and the Indians.

Now, as for your question about how people in Lesotho can own it. Well, it's the way in which economies develop, is that if people in Lesotho can earn more money, they can save more money, then people can start to invest, whether it be in apparel plants or

others. And, it is a question of generating the savings and seizing the opportunities. But, you know, there are different ways one can contribute to what a businessperson calls a value chain. And so people in Lesotho will also develop additional skills from this and also develop additional marketing knowledge from this, and that can be useful in other areas. One of the other challenges of AGOA is that everyone focuses on apparel and that is okay because it's a good place to start. But there are some 6500 tariff lines that are duty-free. That is one reason why you were asking about agriculture. Agriculture is very important too because it is important for the African economies to diversify and have a broader base of participation.

And last I would say one of the reasons that it is always useful to come - and this will be true in this stop and also in Mauritius - is, I don't presume to have all the answers to those questions. I want to listen to what some of the Africans have to say. People in Lesotho will know more about their development plans than I know and what I can do is try to listen to them and figure out how we can help.

**Q: J. J. Cornish - AFP:** What are you going to be saying to the Swazi trade minister? The notice you've given on AGOA that they're under danger of falling out. Is that going to suffice or are you going to drive that home somehow? How divisive do you think the meeting is going to be given your warning to the Swaziland, Eritrea and the actions taken against Angola and Zimbabwe? Do you think there will be a sense of resentment?

**Zoellick:** In this meeting or in Mauritius?

**Q: J.J. Cornish:** Mauritius. We'll, I mean obviously in the two times. You are meeting now with the Swazis but that's going to go on to Mauritius.

**Zoellick:** Well, Secretary Powell sent the letters and stated the views to the points of concern. And I think that sends an important message and at this point I hope we can work with the governments involved to be able to improve conditions. So as for your point about how contentious - I don't expect it to be contentious, but sometimes I'm surprised - but the point is that under AGOA there are criteria. And those benefits, in same ways like NEPAD, require people to try to meet various standards of governance and rule of law. And look, this is not just because we're trying to go around the world to be do-gooders, it is in part because, if you're going to have a successful economy, these are the things you have to do. And frankly if you don't take care of your people, you're not likely to have a successful economy either. So those are some of the issues.

Now some of the countries you mentioned are not even part of AGOA. I mean there are forty-eight eligible countries, thirty-eight are now in, and actually the trend line is good, we added The Gambia, we added Cote d'Ivoire and with a slight phase-in we are going to add Congo. And so I think it's a useful sign to governments throughout the region to know that we pay attention to these criteria, that Congress pay attention to these criteria, and performance matters.

One of you is writing, I forget, maybe it wasn't one of you, but I saw some press clip, from the Financial Times, about ( I don't know if you did this) saying that AGOA has not spread far enough. You know if you look there are about eight or ten countries that have really benefited. That is true - that is one of the reasons why we are coming is to see how can we expand that. How can we try to make sure that other countries get the gains that Lesotho got and Mauritius got and South Africa got and Kenya got and Senegal is starting to get. And keep in mind here, the age of dependency in Africa is over. This has to be done based on Africans. We can open the doors; we can listen and try to figure out how we can try to help. We can't do things for everybody else. If people don't follow practices of rule of law and good governance, guess what? You're not going to get investment and you're not going to create jobs and your income is not going to go up. That is not a rule from the United States. That is the way the modern economy works. And again, one of the things that I can share with some of my African colleagues is, I get around the world, I mean I was in Brazil on January 1, a couple of weeks before I was in Philippines, Thailand and Australia and Indonesia. I see what is out there in terms of competition and countries are struggling in different ways but the United States is committed to opening the door here for trade and growth and development for sub-Saharan Africa. SACU is one of the best places to make it - to show what can be done - but countries have to walk through the door.

Was that your piece?

**Q: Nicole Innocente, Financial Times:** Yes, it was.

**Zoellick:** See, I played off it well. (laughter)

**Q: Nicole Innocente, Financial Times:** ... on GM front. Is the U.S. going to bring a case against the EU? Has the EU played in creating conditions in Zambia...?

**Zoellick:** Well, as you probably know, when your newspaper reported, I believe we should bring a case, but our government still has to make its decision. It is not a decision taken lightly, but the Europeans have had this moratorium in place for some four and a half years. The members of the Commission have tried to remove it. They know that it is WTO illegal. There are a few member states that are resisting. And keep in mind that these are not products that the Europeans themselves have any questions about the scientific health basis, they are banning them even if they have met their own health and science tests, which under WTO rules is a pretty good sign that you are doing something wrong. And what we feel, that biotechnology - I'm talking about agriculture - is very important, not only for agriculture in developed countries, but in developing countries.

When I was last in South Africa, I went out to a research station here and I met a farmer named Buthelezi, by coincidence, from KwaZulu Natal and he had what maybe a 12-hectare farm and he was talking about the biotechnology cotton, which basically increased his production by about 33% because it eliminated the weevil. And there were other Africans that were there, so in terms of the Africa you know, that in terms of dealing with draught and pests and others, there is tremendous potential here. There is

research going on with cassava, which as you know is a very important staple crop here, sweet potatoes - very important crop, not only to sort of protect it against pests, but also to help perhaps add vitamins. So that if we're talking about poor people and nutrition this can make a huge difference. I have found actually a number of African leaders have had a strong interest in this. Uganda has had an interest, Kenya had an interest, my recollection is that President Mbeki had an interest in it. Now, understandably this has become a very contentious topic because some NGOs have decided to attack this without, in my view, recognizing the cost that it provides to agriculture in general and poor people in particular.

As for your question about European behavior, when I was in Africa a couple of African ministers told me of actions by member states, not the Commission, but member states, that in various ways were trying to stop them from biotechnology development and using aid to do that. I have mentioned this to my friend, Commissioner Lamy, I know it is not his view, but all I can do is report what I have been told by some of the African ministers. And I think it is extremely sad and disturbing. Look, it's not just Africa, I talked with the head of AID, who is going to be with us in Mauritius, and he told me just that day that India, which is developing biotechnology products, refused to accept U.S. biotechnology food for people that are hungry. That is deeply disturbing and so all those factors have at least led me to the view that that, combined with the fact that after being patient for two years in office, I didn't see that the EU was getting closer to removing the moratorium. If they removed the moratorium and they allow us to sell biotech products, that is a different story. But that is not what is happening.

**Q: Rachel Swarns, NYT:** There is some concern by canned pear producers in the U.S. about canned pears here.

**Zoellick:** Pacific Northwest?

**Rachel Swarns, NYT:** Yes, something about whether or not canned pears would be taken off the list.

**Zoellick:** Just so you have that, that is under the Generalized System of Preferences so when I mentioned that 92% of Africa's exports come in duty-free there are three ways to do that. One is that some of our tariffs are already zero. Some is generalized system of preferences and then AGOA builds on that. Okay? Under these laws there are provisions that parties can petition to say that there are various hardships caused and to remove products and to add products. And actually there is a major one, dealing with, I think, magnesium that people are thinking of adding that the President has to decide on. And I think the last U.S. producer went out of business so that one looks good. Then the one on canned pears hasn't yet been decided by the White House.

**Business Day, John Fraser:** You suggested you'd like to see an end to these negotiations in 2004.

**Zoellick:** I said that I think the ministers as a whole...

**Q: Business Day, John Fraser:** When would you expect a launch?

**Zoellick:** Well, today will be part of a launch. We cannot officially start the negotiations until February. One of the things that I will be discussing with my ministerial colleagues is Minister Erwin suggested that we start, actually as part of the capacity building, with a visit by a number of the African teams to the United States to learn more about the negotiating process and how we do things. And so we were thinking of trying to do that, maybe in February. So our teams are frankly working now on the framework while we can't officially launch. So for example, what negotiating groups? What should they cover? What sort of principles would be involved? We are laying the groundwork now and will be launching after we get our okay in February if that is acceptable to our SACU colleagues.

**Q: Business Day, John Fraser:** How much do you regret that the President isn't in South Africa as he had planned?

**Zoellick:** I am going to speak about this in Mauritius at the opening session but I will tell you part of it. Because I know there was a very strong interest and the people and the Government of Mauritius made a strong effort on this. Here is though bringing the perspective from Washington.

I have known this President for 15 years since I worked on his father's campaign. Frankly I know that if there was any way he could have been here he would have liked to have been here because he believes very much in the points about opportunity and development that I mentioned. But as we talked about earlier, the United States and many other countries have now seen the sharp teeth of terrorism and President Bush has become extremely concerned about the danger of terrorism being combined with weapons of mass destruction. We are in a critical point in the UN processes. As we speak young men and women of the United States are going overseas, possibly to put their lives at risk in this. And what led the President to feel that he had to stay at home is that these coming weeks and months will be critical in terms of the determination of dealing with terrorism and weapons of mass destruction, developing the international coalition, working the UN process and frankly explaining to the American public about possibly putting your sons and daughters lives at risk. So under those circumstances, while I know he wishes he could be here, I hope my colleagues, many of whom have actually suffered terrorism themselves, will appreciate the unique circumstances. And they get me.  
[laughter]

**Q: Bloomberg News, Dylan Griffiths:** How do you \_\_\_\_ the problem of poverty and HIV/AIDS. Do you think that the amount of money put in by the US [on the war on terrorism] (unclear)? Do you think this is a mismatch?

**Zoellick:** Well, it is interesting. I once remember attending a conference in [unclear], France in 1987 where I was saying that HIV/AIDS was going to become a major security problem globally and everyone looked at me like I was totally off the moon. And I think

it has become that and just not only from what I read but from what I see. When I was in Botswana I went to the HIV/AIDS center that is run by the government and the Gates Foundation and by Merck and if you look at its effect in terms of breaking down healthcare systems, demographic mortality, productivity in the workforce, it is a devastating feature of life.

Now, in terms of the U.S. contribution, the United States contributes 45% of all the international spending on HIV/AIDS globally. In the FY-2003 budget-that's the budget that is right before the Congress-the President asked for \$1.3 billion which is a sizeable increase over the past. I think it is actually a 79% increase over 2001 and 30% over the prior year. Over half of our bilateral assistance goes to Africa. As you may know, we pledged \$500 million to the Global Fund to fight HIV/AIDS, Tuberculosis and Malaria and we are proposing another \$200 million addition to that. For the international Mother-to-Child Transmission Initiative we proposed \$500 million and another \$200 million is involved in that. So think it would be inaccurate to say the United States isn't pouring in substantial resources. I think the challenge that all of us still have to address here is a combination of activities to be successful.

We obviously work on the TRIPS in medicine issue but as anybody who works on the problem knows, that is just one dimension. This is a key question of prevention. And go look at Senegal. Senegal has put in prevention programs so that the transmission rate is miniscule now. Thailand did the same thing. So it is in part prevention; it is in part care programs; it is in part getting the right drugs in the right form to people, so you can deal with the mother-to-child transmission; and in many societies I would still add, I don't think they've recognized the danger enough. There are special programs-I forget whether this was done in Senegal or others-but one was a young woman's education program. Because it is frightening how little people still know or are at least willing to recognize about the transmission of this disease. So this is not only a question of money. It is not only a question of research. But it is a question, frankly of governments taking the lead in pointing out to their publics that they run risks of killing themselves. And it is one of the things again, I went to Botswana to see because as you know the infection rate among sort of a middle aged population is about 35%. It is as high as anywhere else but I give President Mogae and his team credit because they are acknowledging it. They are going out and telling people, they are saying this is something you have to do to defeat it. And it can be defeated, as we have seen in other countries, as we have seen in places in Asia. It is going to require a combination of developed and developing countries working together.

**Q: Andy Spicer, Dow Jones:** The FTA, what re the initial problems you have to overcome in the first six months?

**Zoellick:** Well, the way that we do these, I think we proposed about five or six negotiating groups and one thing that we are doing with Central America we would like to do here is have a special capacity building group that runs in parallel so as to try to match the needs as we go forth. But each of these deal with questions of market access for goods and agriculture, whether it is services, intellectual property. I don't mean to

pick one in particular because I think as we get into it we will discover where points of sensitivity are. And from the U.S. side, I guess what I am telling my team and colleagues is that it is very important we do this with SACU. And that makes it more difficult because you are dealing with five countries in one and they have to put together positions. So we have to be patient; we have to recognize that in many areas there could be a need to communicate why we are doing things or how we have been doing things. We need to listen to the African side about their past circumstances.

I think the way that I would almost sum it up would be, because the U.S. free trade agreements are much more comprehensive I think there is going to be a learning process as we go through this because I know under-I think Minister Erwin calls it a butterfly strategy-South Africa is looking towards trade agreements with many others. When developing countries do trade agreements with some other developing countries, because they are given leeway under WTO rules, they normally only do goods and sometimes a little agriculture and they don't even do it in a comprehensive fashion. So I think recognizing that we are serious about making it comprehensive but doing it in a way that helps developing countries build this into their growth rate. So part of this is a way of sitting down and listening and discussing with the five countries to say, here is how we see the world economy going. Here is how we see the services industry linked to your future. Here is what we see as being important for a services industry. Here are the rules for transparency and national treatment that make it work. What do you see? How does that work for you?

For intellectual property which we know is a sensitive issue, which as I said in South Africa people are developing various types of industries. Let me give you an example of the types of the sort of issues that people don't naturally think about like I got in to the Chile agreement. We are now living in a digital world, so you can download music, Dow Jones newspapers and others all into computers and you never print it out. What is the property right when that is in the hard drive? We dealt with that in both Chile and Singapore. Okay? That's not your grandmother's trade agreement, right? These are the sorts of questions you have to work with people and then see how their legal systems can deal with it. And we are particularly sensitive to Dow Jones because you still charge for the Wall Street Journal. (laughter). Okay?

And I think we're going to do a press conference. Nice to meet all of you.

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